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WASHINGTON POST
8 August 1985

Area Contractors Hit Hard By Pentagon Security Edict

Some Weigh Work-Force Reductions

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A Pentagon effort to tighten security in the wake of the Walker spy scandal is forcing Washington defense contractors to review their hiring practices, change work procedures and in some cases consider cutbacks in employees.

Under orders from Secretary of Defense Caspar Weinberger to reduce the number of civilian and military personnel with security clearance by 10 percent, defense contractors are stripping about 130,000 workers of the national security clearances that give them access to classified documents and facilities.

The cutbacks will be greatest in the Washington area, which—with more than 2,000 offices and plants authorized to handle secret documents—has the highest concentration of classified work in the country, according to Pentagon figures.

The loss of security clearance not only will force some workers to be transferred off sensitive

Pentagon projects, it also could cost some their jobs.

"The security clearance is the meal ticket for people to work on these contracts," said Roger Lewin, president of MAR Inc., a Rockville firm that did \$10 million worth of secret research on submarines for the Navy last year.

"Everybody in the company knows this sword of Damocles is hanging over their heads," said Lewin, who is reviewing his employees "person by person" to determine whose clearances can be terminated—a process that likely will result in some workers being let go.

He said 90 percent of MAR's 200 employees need clearances for the sensitive projects that are the company's only business.

It is not only workers but also small defense contractors such as MAR that could suffer from the across-the-board cuts. Bigger, more diversified firms can shift workers to non-secret work, but that's impossible for a company that does nothing else. With a lid on security clearances, small con-

tractors say they will be unable to get new contracts that will allow them to grow, unless they can get a special dispensation from the limit.

"These little companies will just get destroyed," said Donald Tidd, president of the Association of Small Research, Engineering and Technical Services (ASRET), a trade group that represents about 300 high-tech defense contractors. "Basically, their business base is being reduced by 10 percent. . . . They're being told they can no longer grow."

These companies perform numerous sensitive projects for the Pentagon, ranging from testing new weapons systems to biological warfare research. Some of these con-

tractors say that, unless exceptions are granted, they will be forced to restrict their work forces, sharply curtail their use of outside consultants and drop their bidding on some future contracts.

"We're cutting into the meat of our organization," said Charles Gedney, president of Research, Analysis & Management Corp., a Rockville-based engineering firm that does work on the Trident submarine. "I don't know what's going to happen."

Pentagon officials acknowledge that they have received many complaints about the program and that the smaller contractors have some legitimate gripes. But they say the Defense Department has responded to the protests by introducing "flexibility" into the program. Contrac-

tors will be able to apply for waivers that will be granted on a case-by-case basis.

"We knew it would be difficult at the outset to accomplish this [reduction] in the industry because there are so many different situations," said Britt Snyder, the Pentagon's director of counterintelligence and security policy. "This could impose a significant burden on a smaller contractor. . . . We don't want to impede the performance, so we're attempting to work with them. But we're still holding their feet to the fire."

Some larger companies say that, while the problems are less severe for them, they still are being forced to alter internal procedures as part of an overall crackdown on security prompted by the Walker episode and Weinberger's edict.

Planning Research Corp. in McLean says it is being more selective about who it sponsors for clearances, tightening up on pre-screening of job applicants and considering the use of job-related polygraphs on employees who work on classified projects.

Other companies say they are rearranging office facilities and work practices to prevent employees whose clearances are removed from coming into daily contact with secret documents.

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"It reduces your flexibility," said Jerry Hamm, executive vice president for Atlantic Research Corp. "You have to be more cautious about who you assign to work where . . . or who walks into a meeting."

According to Pentagon figures, there currently are about 4.3 million individuals who have access to classified data, including about 1.3 million in private industry. Perhaps even more significantly, the number of new clearances granted to people in the private sector has grown each year during the Reagan administration. In 1981, 162,000 new private-sector employees were given access to the nation's secrets; in

1982, the figure was 181,000, followed by 208,000 in 1983 and 257,000 last year.

This sharp increase is viewed by some Pentagon officials and congressional critics as an alarming security threat itself, expanding the pool of targets for Soviet spy recruiters. The problem has been compounded by a lax and haphazard review process that has given clearances to thousands of defense industry workers—including secretaries, guards and low-level clerks—who don't really need it.

Even before the Walker episode, Pentagon officials say they were worried by cases such as that of James Durward Harper, an electronics engineer who was convicted

last year of selling secret documents about the Minuteman missile system to the Polish Intelligence Service.

Harper obtained the documents from the executive secretary to the president of a Palo Alto, Calif., Army contractor with whom he was having a romantic relationship. The secretary had access to the company's most sensitive documents because she held a secret clearance.

Moreover, Pentagon officials say that new court disclosures in the trial of Arthur J. Walker provided further evidence of the need for a

tightening of clearances. According to new court documents, Walker went to work with VSE Corp. a military contractor in Chesapeake, Va., because his brother, an accused Soviet spy, urged him to get a job where he would have "access to classified information."

"There is fat in the system," said Snyder. "In most contracts, there are a certain percentage of people

who don't need access to secrets but for one reason or another have gotten them."

Getting a security clearance "has been kind of an ego thing," adds Dale Hartig, chief of public information for the Defense Investigative Service, the Pentagon agency

charged with reviewing requests for clearances. "People think, 'Gee, I've got a top secret clearance.' It's seen as kind of a status thing to a lot of people."

Pentagon officials say that most

companies are expected to achieve their reductions through a process known as downgrading. This means that some workers with a "top secret" clearance will be downgraded to "secret" clearance, while workers with "secret" clearances will be bumped down to "confidential," the lowest level. When the process is complete, there must be a 10 percent reduction in overall clearances.

While the loss of a clearance is no reflection on a worker's loyalty, it undoubtedly will hurt an employee's ability to get jobs in some segments of the defense industry, according to industry officials. Also hurt will be outside consultants, many of whom are retired military personnel, who must depend on companies to sponsor their clearances when they work on specific projects at their plants.

"Those people are dead in the water," said Gedney. "Why would I give up one of my slots to give some consultant a clearance?"